



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 10/15/2008

GAIN Report Number: AG8008

Algeria

Dairy and Products

Annual

2008

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Report Highlights:

Algerian imports of dairy products remained strong in 2007/08 despite the sharp price increases worldwide. The GOA renewed its commitment to subsidize milk and sell to consumers at fixed price. The EU continues to dominate import market, largely due to the Algerian-EU preferential tariff agreement for dairy products. The U.S. share of the Algerian dairy import market rose to 6 percent in the first eight months of 2008.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Algiers [AG1]
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Table of Contents

Executive Summary 3

Production 3

Consumption..... 4

Trade..... 4

Policy 6

Marketing 6

Executive Summary

Despite a noticeable success in increasing fresh milk production in recent years, Algeria continues to rely heavily on imports to satisfy the growing needs of its dairy industry. The dairy industry is mostly controlled by the private sector, with about 120 dairy plants operating in various regions of the country. The GOA continues to pursue a policy of subsidized consumer prices of staple food commodities, of which milk is a main component.

With relatively enhanced consumers' purchasing power and the availability of diverse dairy products in the Algerian market, consumption of dairy products has significantly risen in recent years. Yogurts consumption is currently estimated at 640,000 metric tons and cheeses at 37,000 metric tons per year.

According to Algerian trade data, dairy imports reached \$1.06 Billion in CY 2007 and are estimated at \$1 billion for the first eight months of CY 2008. The cost dairy imports accounts for about 17 percent of total food imports, which is estimated at \$5.7 billion in the eight months of CY 2008. About 56 percent of Algeria's dairy imports in the first eight months of 2008 came from the EU (France, Poland, Germany and Netherlands) while 44 percent came from other origins such as New Zealand, Argentina, the U.S. and Ukraine. Imports from the U.S. rose from \$40 million in 2007 to \$63 million during the same period and accounted for 6 percent market share. The bulk of U.S. dairy exports to Algeria are non-fat dry milk, with some quantities of cheese, butter and whey.

Preferential tariff quota agreement applies to several EU dairy product exports into the Algerian market, under the EU-Algerian trade accord that went into effect on September 1, 2005. Dairy product imports must undergo microbiological analysis and conform to existing quality and sanitary standards described in official decrees.

A health certification for dairy imports is currently under review and being discussed between Algeria and U.S. regulatory agencies. Final version has not been yet approved.

Currently, Algeria does not import live animals from the U.S. because an outdated health protocol that was established between the U.S. and Algeria in 1986 that needs to be renewed.

Production

Increasing production of the agricultural sector remains one of the main priorities of the Algerian government. A new agriculture law has been recently adopted to redefine the orientation of the agriculture policy in order to exploit the potential of the sector. Food safety principals and the revitalization of natural resources were among areas emphasized in the new law. Intensification and improvement of agricultural dairy production represents one of this new strategy's important programs. The Ministry of Agriculture is planning to launch a program to help support 10,000 small animal breeding farms by the end of 2008, especially in ranch land areas and oasis. These farms would need imported genetics materials to improve production quantity and quality of the current herds. Because of health restrictions on imports from some European countries, opportunities exist for U.S. suppliers to get into the Algerian market. However, an outdated animal health protocol for exportation from the U.S. that was established in 1986 needs to be renewed in order for the U.S. dairy cattle and genetics to be able to enter the market.

Despite the noticeable success of the Agricultural Development Program (PNDA) in generating good growth of fresh milk production in recent years, from 1.5 million MT in 2000

to 2.2 Million MT in 2007, more efforts need to be made in the areas of herd size, breeding, and nutrition management as well modernizing the milk collection network.

Domestic milk production remains very short of meeting the growing needs of the Algerian dairy processing industry, which relies mainly on imports of milk powder and other dairy ingredients to fulfill 80 percent of the industry requirements. The dairy industry is mostly controlled by the private sector which plays a dominant role in the Algerian dairy sector; with about 120 dairy plants operating in different regions across the country. Private sector has typically played a major role in the production of processed dairy products (yogurt, cheese, butter, sour milk, and dairy desserts). However, with a government policy of having fixed (controlled) prices for pasteurized fluid milk, the private sector processors are mainly focused on producing other more profitable processed dairy products than milk. The state-owned group Giplait remains the leader in the pasteurized reconstituted milk market.

Consumption

Milk is a staple food for the Algerian consumer, with 60 percent of animal protein in the food ration comes from dairy products. Algeria is the largest dairy consumer in the Maghreb (110 liters per capita for milk and 6 kilograms per capita per year for other dairy products). According to a survey by the Studies Center; dairy and dairy products expenditures represent about 14 percent of total households' food expenditures.

Milk is sold in the local markets in various types of products. Pasteurized reconstituted milk in small bags of one liter with 24 hour shelf-life at government controlled (fixed) prices; fresh milk sold directly from the farms at much higher prices, and UHT in tetra-pack boxes produced by private processors. Whole milk powder is also imported in small boxes of 500g for direct sale to consumers.

With increased consumers' purchasing power and the availability of more diversified products offered by the dairy manufactures, the consumption of dairy products in Algeria has increased in recent years. Current consumption of yogurts is estimated at 640,000 metric tons and cheeses at 37,000 metric tons. This increase in demand generated higher milk powder consumption as well, since these two products are manufactured mostly using milk powder.

Trade

Algeria remains a major importer of dairy products despite the sharp increases in the global prices of these products last year. Under the food price stabilization policy, the GOA has reiterated its commitment to maintain low (fixed) consumer prices for pasteurized milk in the domestic markets. The cost of Algeria's dairy imports has increased sharply, while import volumes remained more or less stable. According to the Algerian Customs data, CY 2007 dairy imports reached \$1.06 Billion and are estimated at \$1 billion for the first eight months of CY 2008. Dairy product imports accounts for about 17 percent of all food imports, which are estimated at \$5.7 billion for the same period.

In 2007, whole milk powder imports were estimated at 161,466 MT (valued at \$618 million), non-fat dry milk at 91,338 MT (\$360 million), cheese at 24,168 MT (\$44 million), anhydrous milk fat and butter at 12,932 MT (\$34 million). During the first eight months of 2008, however, the value of dairy product imports almost reach the level of the entire 2007, with whole milk powder imports estimated at 116,598 MT (valued at \$599 million), non-fat dry milk 76,940 MT (\$320 million), cheese 11,096 MT (valued \$29 million) and butter and anhydrous milk fat at 10,939 MT (\$47 million). Of total butter and anhydrous milk fat imported in this period, about 31 percent was butter and 69 percent was anhydrous milk fat.

During the first eight months of 2008, about 56 percent of Algeria's dairy imports came from EU origin (France, Poland, Germany and Netherlands) while 44 percent came from other origins such as New Zealand, Argentina, the U.S. and Ukraine. About 61 percent of Algeria's imports of non-fat dry milk, 53 percent of cheese and 56 percent of whole milk powder were imported from EU countries. This was mostly due to the preferential tariff agreement for dairy products between Algeria and the EU (see policy section). The United States controlled about a 6 percent market share. Whole milk powder was mostly imported from New Zealand, Argentina, and Brazil. Non-fat dry milk was imported from United States, India and Ukraine. Butter and cheese came mostly from New Zealand, and Australia.

Imports from the U.S. increased from \$40 million in 2007 to \$63 million in the first eight months of 2008. The bulk of U.S. dairy exports to Algeria are non-fat dry milk, with some quantities of cheese, butter and whey. With demand for dairy raw material expected to remain strong, there is tremendous potential for U.S. suppliers in this market despite complications in health certification whose approval needs to be discussed among the Algerian and U.S. regulatory agencies. U.S whey exports have significant progress in the Algerian market, rising from 36 MT in 2006 (36MT) to 450 MT in 2007 and 432 MT in the first eight months of CY2008.

Table: Imports of Dairy Products (January through Aug 2008) in MT:

Countries of Imports	WMP	NFDM	BUTTER	CHEESE
Germany	2,705	6,506	44	519
Spain	0	4	916	12
Australia	175	0	0	1,059
Argentina	8,073	1,550	1927	250
Belgium	17,968	10,572	0	99
Canada	0	50	0	0
France	23,302	15,770	168	467
Great Britain	3,904	240	40	0
US	0	14,399	965	245
Ireland	2,981	1,292	411	751
New Zealand	31,310	1,421	3404	2,949
Poland	9,429	11,659	0	516
Brazil	7,450	0	25	0
Netherlands	5,475	501	1,596	3,317
Ukraine	3,865	5,251	0	0
India	56	6,283	763	140

Denmark	956	160	0	51
OTHERS	1,654	1,282	680	721
TOTAL	116,598	76,940	10,939	11,096

Policy

The Algerian government controls consumer-prices for pasteurized fluid milk. Currently, the retail price of reconstituted milk is fixed at 25 AD (about \$0.41) per liter, a price that was last revised in February 2001 from 20 AD per liter. The Algerian dairy industry argues that the fixed price is too low to make any profit for the manufactures. Under the food price stabilization policy, the GOA has allocated \$2.5 billion this year to support staple food prices, of which wheat and milk have the largest shares. About 23 billion Algerian dinars (\$383 million) have been allocated this year to milk powder purchases. The National Inter Professional Office for Milk (ONIL) is the agency in charge of managing the funds for subsidized milk powder imports for both the private sector and state-owned milk plants.

Preferential tariff quota agreement applies to several EU dairy exports into the Algerian market. This was agreed under the EU-Algerian trade accord that went into effect on September 1, 2005. According to the agreement, the temporary duty was eliminated in January 1, 2006 for all origin dairy products: fluid milk, cream non-concentrated, yogurt, butter and cheese (grated, powdered, veined, spread and others). The agreement also gives 100 percent reduction on custom duties for a quota of 30,000 MT for non-fat dry milk, 40,000 MT for whole milk powder, and 50 percent reduction of duties for 2,500 metric tons of cheese for processing. The tariff dismantlement and quotas system applies only on EU origin products. The latter requires a certificate of circulation called "EUR1" that attests the origin of the products.

The microbiological aspects of the health certificate for dairy products imports into Algeria were revised in 2007. Dairy product imports must undergo microbiological analysis and conform to existing quality and sanitary standards described in official decrees (decree of January 24, 1998, - decree of October 27, 1999 - decree of April 2, 2000). The dairy health certification for dairy imports is currently under review and being discussed between Algeria and U.S. regulatory agencies but a final version has not been yet approved.

Currently, Algeria does not import live animals from the U.S. because of an outdated health protocol that was established between the U.S. and Algeria in 1986 and that needs to be renewed.

Marketing

Algerian importers and end-users of milk and dairy products have more contact with European suppliers but have limited exposure to and knowledge of the U.S. products. Many Algerian buyers have expressed interest in dealing directly with US exporters. The U.S. exporters and their cooperators, however, need to become more engaged in the Algerian market in order to increase U.S. market share and improve the reputation of the U.S. as a reliable supplier in that fast growing Market.

U.S. exporters interested in the North African market should consider opportunities of local trade promotional events in the region to market U.S. dairy products in these countries. This should provide them good opportunities to meet selected quality buyers in order to make them better acquainted with U.S. dairy products and suppliers.

Dairy, Dry Whole Milk Powder Algeria	2006			2007			2008		
	2006			2007			2008		
	Market Year Begin: Jan 2006			Market Year Begin: Jan 2007			Market Year Begin: Jan 2008		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Beginning Stocks	22	30	22	18	30	28			9
Production	0	0	0	0	0	0			0
Other Imports	172	160	182	175	160	161			179
Total Imports	172	160	182	175	160	161			179
Total Supply	194	190	204	193	190	189			188
Other Exports	0	0	0	0	0	0			0
Total Exports	0	0	0	0	0	0			0
Human Dom. Consumption	176	160	176	180	160	180			180
Other Use, Losses	0	0	0	0	0	0			0
Total Dom. Consumption	176	160	176	180	160	180			180
Total Use	176	160	176	180	160	180			180
Ending Stocks	18	30	28	13	30	9			8
Total Distribution	194	190	204	193	190	189			188
CY Imp. from U.S.	0	0	0	0	0	0			0
CY. Exp. to U.S.	0	0	0	0	0	0			0
TS=TD			0			0			0
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Dairy, Cheese Algeria	2006			2007			2008		
	2006			2007			2008		
	Market Year Begin: Jan 2006			Market Year Begin: Jan 2007			Market Year Begin: Jan 2008		
	Annual Data Displayed		New Post	Annual Data Displayed		New Post	Annual Data Displayed		Jan
			Data			Data			Data
Beginning Stocks	1	1	1	0	1	1			1
Production	13	13	13	0	13	13			13
Other Imports	24	24	24	0	24	24			24
Total Imports	24	24	24	0	24	24			24
Total Supply	38	38	38	0	38	38			38
Other Exports	0	0	0	0	0	0			0
Total Exports	0	0	0	0	0	0			0
Human Dom. Consumption	37	37	37	0	37	37			37
Other Use, Losses	0	0	0	0	0	0			0
Total Dom. Consumption	37	37	37	0	37	37			37
Total Use	37	37	37	0	37	37			37
Ending Stocks	1	1	1	0	1	1			1
Total Distribution	38	38	38	0	38	38			38
CY Imp. from U.S.	0	0	0	0	0	0			0
CY. Exp. to U.S.	0	0	0	0	0	0			0
TS=TD			0			0			0
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